School Finance '90

Changes to the School Finance System

• MINISTRY OF EDUCATION •

Province of British Columbia

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Province of British Columbia

NEWS RELEASE

Ministry of Education
NR04-90

Release January 31, 1990
2:00 p.m.

Education finance system to be based on block funding

VICTORIA—Education Minister Tony Brummet today announced changes to the education funding system that will result in significant tax relief for the homeowner and will provide stability and accountability.

"There will be tax relief to the homeowner," said Brummet. "However, this is a budgetary matter and the full extent of this relief and tax reform will be dealt with by my colleague, the Minister of Finance, later this spring."

Brummet said the new system is based on the block funding concept recommended by the Sullivan Royal Commission on Education and many education groups throughout the province.

The new system provides an initial block of funds to cover all public education programs and is adjusted annually to reflect economic indicators, growth in enrolments, and changes in mandate.

Brummet said it is important to note that the 1989/90 block is comprised of all actual school board expenditures including those not previously funded by the Province.

On that basis, the 1989/90 total block amounted to $2.4 billion, a per-pupil amount of $4,954. For 1990/91 the amount of the provincial block will be increased by $305 per pupil, raising the total to $5,259 per pupil. The total funding will be determined by multiplying the $5,259 per-pupil amount by the number of students enrolled in September, 1990.

MORE

To ensure accountability, any board expenditure over the school district's block funding allocation must go to local referendum, Brummet said.

"In order to support the changes the education system will need to properly prepare learners for life in the 21st century, there must be a stable, predictable funding system that is equitable and accountable. Block funding provides a base for such a system," Brummet said.

"We have consulted with the major education stakeholders and the Education Advisory Council during our review of the education funding system," Brummet said. "The block system was generally felt to best meet the funding needs of the school system and recognizes all current school board spending levels. The amount of funding automatically increases with enrolment increases, and the block will provide a means of funding mandate changes."

The block of funds will be distributed to provide equitable levels of educational opportunity in the Province, taking into account current school board spending patterns.

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For further information contact:

Wayne Desharnais
Acting Deputy Minister
Ministry of Education
Parliament Buildings
Victoria, B.C.
V8V 2M4

Telephone 356-2479

Doug Hibbins
Executive Director
School Finance & Facilities
Ministry of Education
Parliament Buildings
Victoria, B.C.
V8V 2M4

Telephone 356-2358

Sam Lim
Executive Coordinator
Deputy Minister's Office
Ministry of Education
Parliament Buildings
Victoria, B.C.
V8V 2M4

Telephone 356-2481

BACKGROUND

SCHOOL FINANCE '90

A Legacy for Learners, the report of the Royal Commission on Education, 1988, made the point that the education system had served the people of B.C. well in the past, but that if learners were to be properly prepared for life in the 21st century there would have to be a renewed focus on the learner.

The focus on the learner requires consultation and cooperation among all education groups, and funding systems that could "lend greater stability and predictability to the system."

On August 4, 1988, the day of the release of the report, the Minister of Education appointed an Education Policy Advisory Committee (EPAC), comprised of representatives of education groups and the community, to assist the Ministry in developing appropriate policy directions.

Within six months, the government, operating in close consultation with EPAC, had developed both a statement of policy that embraced most of the Commission's 83 recommendations and a school system mandate which reflected a focus on the learner. The government also established the Education Advisory Council (EAC) as a permanent successor to EPAC, thereby ensuring that consultation with education groups would be a permanent aspect of the B.C. school system.

The policy directions paper and the mandate were released January 27, 1989. On the same day, the government announced that an additional $1.4 billion would be made available over the next 10 years for implementation of the Royal Commission recommendations, and a further $1.5 billion would be spent over the next six years to build new schools and upgrade buildings. The government also announced that it would undertake a complete review of the funding system for education in the Province.

The education system funding review was carried on with the involvement of major education stakeholders and EAC. At the same time, the financing of local government was being analyzed through a joint study by the Ministry of Municipal Affairs, Recreation and Culture, and the Union of British Columbia Municipalities, and through the property tax forum conducted by The Hon. Mel Couvelier, Minister of Finance and Corporate Relations and The Hon. Rita Johnston, then Minister of Municipal Affairs, Recreation and Culture.

It became clear from all three processes that changes would be required to make the funding system more stable, equitable, and accountable.

In responding to this challenge, the government is undertaking major changes to the system of education finance: stability will be provided by a block funding system incorporating an annual economic adjustment; and equity will be assured through the use of the fiscal framework as the primary distribution system for grants.

PREVIOUS SCHOOL FINANCE SYSTEM

SCHOOL FINANCE '90

The responsibility for funding and managing the public education system has been shared by the provincial government and locally-elected school boards.

The government is responsible for establishing an amount of funding which it considers necessary to provide a sound basic education for all students throughout the Province. That funding amount was called the shareable operating amount.

In order to determine the amount of funding necessary to provide a sound basic education, the goverment used a model called the fiscal framework. The fiscal framework was designed to describe an appropriate educational program and to set provincial costs considered necessary to deliver the program.

If school boards chose to set budgets higher than the shareable operating amount, the funding for that supplementary amount was raised locally, primarily through additional residential taxation.

Generally, the provincial shareable amount was financed through a blend of residential taxation and district contributions through grants from the Consolidated Revenue Fund. In addition, government provided funds for debt service costs and direct grants to support certain initiatives.

NEW BLOCK FUNDING SYSTEM

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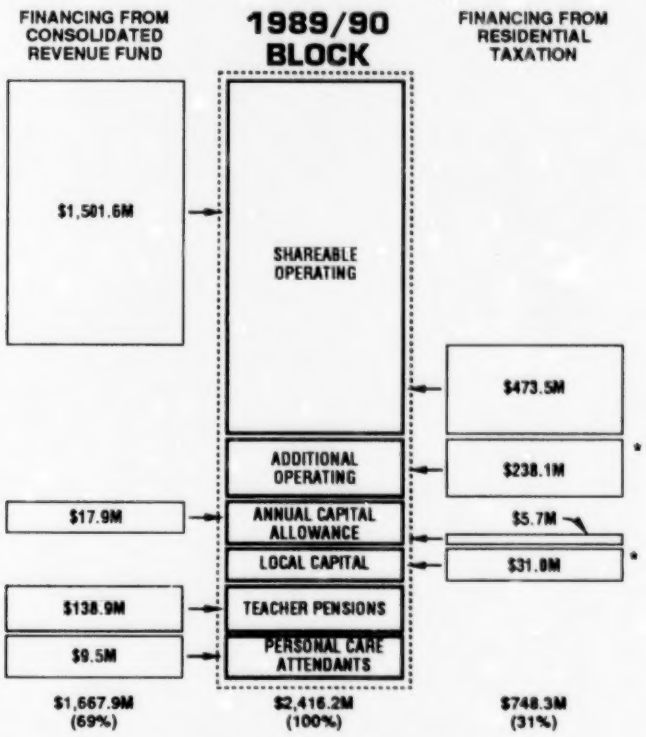
What is block funding?

In the block funding system an overall block of funds is allocated to cover all education programs and the block is adjusted annually to reflect economic adjustment, growth in enrolment and changes in mandate.

The elements of the base block

In building the base block, several elements that comprise current spending were considered, including operating and supplementary costs. The base for the block will be $2.416 billion which represents actual spending by or on behalf of school boards.



* Not previously part of the block

The following categories of spending will become part of the block:

Shareable Operating—the amount generally required for a sound basic education, including costs related to instruction, administration, operations and maintenance and transportation.

Additional Operating— operating spending for additional programs or costs as determined by local boards. This was not previously part of the block.

Annual Capital Allowance—the allowance provided to each board for minor renovations of facilities, e.g., roof repair.

Local Capital—additional capital spending determined by local school boards. This was not previously part of the block.

Teacher pensions—Pension and Canada Pension Plan.

Personal care attendants—Attendants for special needs children.

Debt service funding for capital costs will be recognized outside of the block.

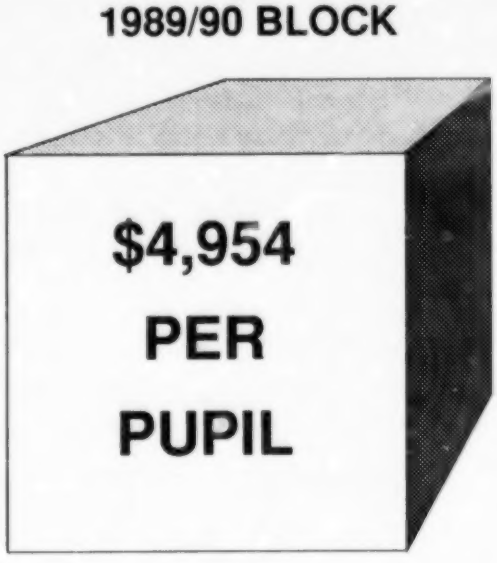
Advantages of block funding

- ✔ The block recognizes all 1989/90 spending; the base block recognizes current spending levels, which include shareable operating costs, supplementary operating costs, and local capital costs.
- ✔ Education will receive adequate increases in funding each year through an annual adjustment to the block.
- ✔ The amount of funding automatically increases with enrolment increases.
- ✔ The block will include funding for mandate changes; for example this past year the government announced a new policy of funding full-day kindergarten (as recommended by Education Policy Advisory Committee).
- ✔ The education funding system becomes more predictable and stable than in the past, and simpler to understand.

Size of the base block

The base block of funds recognizes school board spending levels in 1989/90 and will be set at $2.416 billion, a provincial average per pupil amount of $4,954.

In order to establish the base block, **supplementary operating and local capital spending has been recognized**. Hereafter, further additional local spending will not be incorporated into the block.



ECONOMIC ADJUSTMENT

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How the block will be adjusted each year.

The Royal Commission recommended that a block of funds be "increased annually according to the capacity of the government to support public spending."

The government will provide an economic adjustment each year and will take into account growth in revenue, growth in the economy, and historical costs.

Size of the block 1990/91

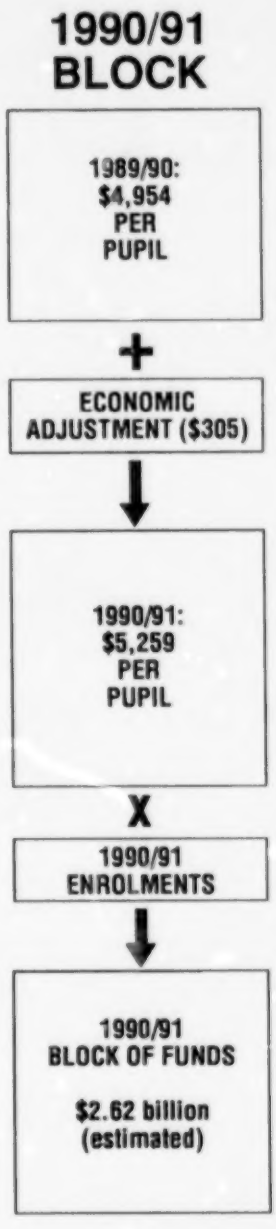
The amount of the block ($4,954) will be increased by $305 per pupil in 1990/91. This adjustment reflects a number of factors, including historical growth in costs, growth in the economy and growth in government revenues. The 1990/91 per pupil amount will be $5,259.

The total block of funds to be provided in 1990/91 is calculated by multiplying the following:

1. the amount to be given per pupil ($5,259)

X

2. the number of pupils enrolled in September, 1990.



DISTRIBUTION OF THE BLOCK

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The Royal Commission on Education, the Education Policy Advisory Committee, and the Education Advisory Council all supported the continued use of the fiscal framework for the distribution of the block. The Ministry agrees that the fiscal framework should be the primary distribution mechanism. The fiscal framework accounts for individual characteristics of school districts such as size, remoteness, and travel distances. This will ensure that the block of funds can be distributed to provide equitable levels of educational opportunity in the Province.

Currently, the average shareable operating cost per pupil in school districts throughout the province ranges from $3,600 to $9,300. The total operating cost per pupil, including the supplementary amount, ranges from $4,200 to $10,000. The Province will take these variations in board spending patterns into consideration when distributing the block. Some equalization will occur through a phase-in process.

Equity of distribution will continue to be improved through consultative processes involving district officials, the Education Advisory Council, and the Ministry of Education.

ACCOUNTABILITY

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It has become clear that taxpayers want increased accountability for all levels of government spending. School boards that decide to exceed the block available to them will be required to seek local taxpayer approval through a referendum.

Generally, the referendum process will provide for the following:

- All school board referenda will be held on a date to be established by the Minister. This date will likely be in early April each year.
- School boards will have to inform local taxpayers of the amount to be raised by the referendum, provide a general description of the programs to be funded by monies raised, and indicate the tax consequences that will result from passage of the referendum.
- School boards will be required to seek referendum passage each year that they propose to spend more than what is provided through their annually adjusted block.

In order that taxpayers can see true consequences of their decision, taxes used to support additional spending must be raised in the calendar year in which the school board budget is set.

FINANCING

SCHOOL FINANCE '90

Currently under discussion by government are measures to provide tax reform and significant education tax relief to homeowners.

The government will be making proposals to amend the current school tax system when the Legislature reconvenes this spring. Announcements of details will be contained in the provincial Budget Speech.